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THE GENOA CONFERENCE

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THE invitation to the International Economic Conference at Genoa placed the United States in an awkward dilemma. It also puzzled Americans who had consistently hoped, from the point of view both of self-interest and of duty, that America would play her proper part in world affairs and aid in the economic restoration of Europe. On the other hand, many of us who held to this hope were also strongly sympathetic with the Russian people; we had heartily approved the official stand taken by the United States last March in refusing to enter into formal relations with the Soviet Government until certain fundamental conditions regarding life and property had been met. Last September Secretary Hughes again strengthened this feeling by his reference to the idea of a "moral trusteeship" for Russia. We were, therefore, opposed to any plan which would despoil the Russian people of their rights or deny them the chance to return to an untrammelled prosperity.

Then came the invitation to Genoa from behind a fog of stories and rumors that linked this proposed conference with sinister plans for the exploitation of Russia in an infamous fashion. Under these circumstances there was confusion in our minds and protest against this unfortunate combination of elements. Such doubts continued to perplex the Government. The official agenda for the Conference has just been received as this article is written, but the decision as to American participation is not as yet clear. Nevertheless, the very problem of the decision gives reason for

consideration of permanent and underlying factors and scrutiny of the circumstances of the proposal, in order that the picture of European conditions may stand out clearly. Certainly the last three months have been crowded, and February may alter the situation in some respects; but if this Conference is to meet on March 8, or if any other international conference is soon to assemble, there are facts and ideas that we cannot ignore. In any case, although the meeting is called to deal with economic problems, political elements do not fade out of sight; and it is very probable that the side issues at Genoa will equal in interest the principal objects of the Conference. Furthermore at every turn we find that the relationship of this Conference in Europe to the work and results of that at Washington will be close. Even though the United States may not be officially represented at Genoa or any similar European meeting, we cannot be indifferent to the problems there to be discussed or to the results of such conferences. Indeed it is highly probable that American business will in some way or other be concerned directly in such results, though the Government may not actually be a party to them.

Briefly, then, what are the chief elements which have led to the hurried calling of the meeting scheduled for Genoa? What complicating factors and objections have already appeared, and what will be the main problems involved, even if some of those problems are not placed on the official programme?

The point of departure is in the end of November; it was then that it became plain that there was no chance for European economic questions to come before the Conference on Limitation of Armament. Even attempts by Americans to rouse interest in a plan for an economic conference at Washington failed to stir the authorities. Furthermore, European representatives are emphatic in saying that until after December 1 there was no intimation that such a plan was seriously under consideration in London or Paris. By mid-December the idea had gone about that the Washington Conference was soon to close; Mr. Balfour engaged passage home on several occasions in the expectation that Far Eastern affairs would not seriously delay or occupy the Conference; and already anxiety as to conditions in Europe served partially to divert attention to the course of economic and po-

litical questions abroad. Anglo-French friction, the situation in the Near East, and rumors of possible outbreak of war on the frontiers of Russia, all combined to give special importance to disputes as to German reparations, to the existence of the great French army, and to the uncertain domestic policies of Russia. Then came a series of events apparently unrelated but each of which contributed its share in shaping the programme. Thus, Herr Stinnes went to London to see Mr. Lloyd George at the end of November; simultaneously private advices from Europe gave a summary of a plan discussed with British financial interests by which the payment of German reparations was to be aided by the organization of a kind of international consortium for Russia, which was to undertake the industrial restoration of Russia largely by German agents and methods, in return for which grants and concessions for the exploitation of the natural resources of Russia would give a market for manufactured goods from England and from Germany and also supply raw materials and profits on investment which could be applied to the settlement of German reparations.

In the form in which this plan appeared in the press in mid-December it looked like a scheme both to transfer to Russia the eventual financial burden of the war and to anchor German economic interests to the rich deposits of Russia. A second German plan which was credited to Herr Deutsch of the great German electrical corporation seems to be sugar-coated but none the less dangerous in its possibilities. The immediate query was, therefore, whether as a preliminary or necessary aid to European restoration Russia was to be turned into a sort of international economic dependency of the Allies and of America, with Germans as the general managers of this capitalistic plantation? Naturally such a proposal seemed almost too crude to be considered seriously in responsible political quarters; its immorality and its political peril went hand in hand with the uncertainty of its success and the lack of sufficient accurate economic data on the matter. Nevertheless it seemed to have played a certain rôle at the outset.

Of different character and more modest style was the fact of the success secured at the Porto Rosse economic conference which met during November. It was confined to the so-called Succession

States which shared the remains of the Hapsburg dominions. Italy, Jugoslavia, Roumania, Czechoslovakia, Poland, Austria and Hungary sent representatives to discuss local economic problems which the political divisions and terms set up in 1919 had served only to complicate and to intensify. Political questions, however, were barred and the agenda dealt with commerce, the exchange of essential products, postal facilities, transport, railway stock, and prohibitory export regulations. In general hindrances to trade were lessened and communications and traffic conditions were put on a better basis; provision was also made for other subsidiary conferences to deal with specific questions. The net results were perhaps small but the moral influence was considerable. Again, if this programme could be carried out on a small scale, could it not be attempted on a larger one?

Returning now to further business conferences in Paris and in London during December, we find a general and varied discussion of plans which included Allied participation in German economic development, the extension of Herr Stinnes's syndicating methods at home to the field of international finance and participation, and finally the renewed discussion of super-organizations such as occupied the attention of the Brussels International Financial Conference in 1920. There were of course many variations in the schemes proposed, but there was revival of a plan in some respects similar to that proposed at Brussels in 1920, by Mr. Ter Meulen of a Dutch banking firm of Amsterdam. The purpose of the "Ter Meulen plan", as of others, was to provide security to assist "the difficulties of traders in certain countries in obtaining short and long term credits to finance necessary imports". This special form of security to reinforce the credit of importers was to consist of "government bonds to be loaned by each Government to its own nationals"; but the bonds could be issued only if justified by the gold value of the underlying security as checked by an international commission chosen by and acting for the League of Nations. No such bonds have ever been issued, but the general conception was not a bad one. The details of the new super-organization with a capital of £20,000,000 sterling which was proposed last December are not yet available; the general idea, however, seems to be that natural resources, concessions, and public utilities are to

provide a field for the holding company which is to provide capital under government approval and to allocate to various applicants their proper share in the supply of goods or the raw materials desired. To this end an international organization is being formed. Naturally the ultimate question arises as to whether, out of such a corporation, international finance may not as a force in politics exert a more powerful and integrated influence than ever before. One reply to such criticism is of course that financial interests could scarcely do worse than Governments have done in the new Europe after the War, and that the time is ripe for such an experiment.

In connection with all these matters there exists still another factor which was making itself felt in various ways even in 1920. This is the new economic policy of the Soviet Government in Russia. The subject is open to debate; but from Russian and other sources, and in particular by study of the Soviet press of the past three months, a few facts now seem quite certain. The present Soviet view is that the economic situation of Europe now forces the capitalists to trade with Russia. The fear of war in Europe outside of Russia is so great that, in view of the military strength of Russia, the Soviet can afford to make terms, for now it has a significant position and potential economic power beyond all other elements. In its struggle for the world revolution the Soviet Government has met with a check; in the growth of the Communist International it found that the bourgeoisie used the present condition of Russia as an argument to check strikes and revolutionary movements throughout the world. The capitalists said: "If you wish Communism, the choice is famine, cold, and chaos—therefore, reflect!" Thus the workmen outside of Russia considered the situation and the Soviet's temporary disintegration was then used as an argument against Communism. It is necessary, therefore, the Soviet concludes, that it should restore Russia by concessions and sacrifices, but it will not let this go too far or allow capitalism to rob it. If the attempt is made, Soviet Russia can defend itself, and Europe now shrinks from the idea of war. Nevertheless, say the Soviet leaders, "we want trade relations with the outside world; we must maintain ourselves; and we can now change our administrative methods from 'direct arbitrary punishment to regulated revolutionary jurisprudence'. Let us

work in order to improve conditions in Russia, so that they can no longer be cited against the development of the world revolution, and let us be ready either to employ capitalism as an economic force to compel the trade we also desire and thus strengthen the Soviet, or to defend ourselves against capitalistic adventurers, as the case may be."

This is a simple résumé and paraphrase of recent speeches and editorials as given in the Soviet press. Yet it is significant that there is almost a conspiracy of silence in the press regarding plans suggested by the German financial magnates. Once, early in December, Comrade Radek, who acts as publicity agent, referred to Herr Stinnes with the query, "Why sail to London when you can deal with us directly?" Later there was a veiled but rather petulant attack on foreign financiers. It seems, therefore, that in the Russian press there was no general discussion of the new elements, a fact which is significant. On the other hand in the second week of December the Russian Minister at Berlin was enthusiastically praising the idea of fresh and larger development of trade relations between Germany and Russia. There is no question that in Russia internal production is here and there slowly improving; transportation continues extremely bad; and it will be some time before the famine is really less. The army, however, is not so badly off; it is in fair condition, numbering over a million and a half, and the lack of medical supplies has been partially remedied by imports during the latter part of 1921. The shortage in artillery is marked; and for this reason it is possible that hot heads in Finland, Poland, and Roumania may be tempted to begin raids which will provoke a conflagration all along the frontier. In the Caucasus and Asia Minor the situation is also uncertain, though there the relations between the Soviet and Kemal have decidedly cooled; and Enver, a keen rival of Kemal, was recently reported as organizing forces near Batum without Soviet hindrance. Here, then, is the state of affairs as Lenin's Government is invited to Genoa under conditions outlined at Cannes by the Supreme Allied Council.

In Western Europe the fall of M. Briand in connection with Anglo-French friction and the establishment of M. Poincaré's Ministry do not necessarily alter things for the worse. At Wash-

ington the situation in the Near East was an uninvited and importunate guest at the Conference. Within a short time a satisfactory Anglo-French treaty of guarantee and a settlement in Asia Minor may be arranged; for M. Poincaré, before he came to office, remarked as to Anglo-French relations: "If we part on the Euphrates we part also on the Rhine." The great obstacle to accord, however, is of course reparations. That also is an obstacle to the Genoa Conference; for the French insist that it must not be submitted again to an international congress, and in America there is a natural desire to avoid involving ourselves in that matter any more than is necessary. France proposes to insist on the fulfillment of the Treaty of Versailles as far as her share in the German payments is concerned. To this end, with the Reparations Commission as authority in charge, she now suggests extended financial control of Germany by the Allies, even in respect to the budget and the further issue of paper money. With the Wirth Government uneasy at Berlin before opposition to increased taxation, and the failure of even moderate payment of reparations, the alternatives are dark.

Indeed, the question rises as to whether a complete German financial collapse would not be felt worse outside of Germany than inside, for when we consider the enormous sums of German marks purchased by speculators and by German sympathizers in America it seems plain that such ventures are probably doomed. The result is perhaps to create more anxiety in behalf of Germany than is fair; certainly it cannot make the neutrals or Americans who have been so unwise as to engage in such speculation think kindly of a drastic French policy toward Germany or toward the French attitude in general. The purchase money for those marks is, however, probably not available for the German Government, as private recipients have undoubtedly been careful to invest it in good bonds abroad; so that the very issue of German paper money has become a form of repudiation. If this is the situation as regards Germany, what can be said both of the paper and the debts of other States, some of which have contracted loans several times beyond the value of their total national wealth?

There is also the fundamental question of budgets. So far all elements in the situation have been either substitutes or palliatives;

there has been no real remedy for European economics suggested. The balancing of the budgets is not in itself an entire cure, but it would go further than anything else. Yet this factor is scarcely one for decision by an international conference. Such a body may not even directly discuss the subject, but it is a preliminary to anything like real improvement. Here of course we strike again the vicious subject of military expenditure; the reduction of armaments is essential to the budgets, particularly of the small States; and the existing military establishments are political elements as well as economic. For such reasons it is absurd to draw a hard and fast line between economics and politics in Europe, or to portray the policy of France as exclusively political and of England as exclusively economic. Such comparisons, even if they were entirely correct, do harm rather than good; and in the case of American opinion it is extremely important that we should recognize and appreciate, even though we do not always sympathize with, political ideas and fears that seem strange to us. Thus with varying emphasis both economics and politics enter into any true international picture. Nevertheless, it is our natural and national dread of foreign political elements that is doing much to keep us away from Genoa.

Still another detaining force is our unwillingness to discuss debts. We are unwilling to have the question raised at Genoa in our presence. We may be right or we may be wrong in our objection to any present proposals as to cancellation, but the feeling that exists is itself a factor in the situation which does not now admit of debate. For the time being at least the occasion has gone by when it would be profitable to do more than to engage in refunding measures; though eventually the matter may assume another aspect. Meanwhile the average American points to extravagant budgets and heavy military expenditures. Of another type of fruitless discussion is the subject of exchange. The stabilization process may be assisted indirectly, but as a matter for formal international decision it is at present beyond any immediate remedy. There are other negative factors, but these at least lead many to doubt the wisdom of accepting the invitation to Genoa.

So we return to the starting point of the Washington Confer-

ence. Here at least it is plain that a considerable part of our reluctance as to another conference is the apprehension lest something connected with the second conference might endanger the results of the first. These are far from secure and from the point of view of the Conference on Limitation of Armament the calling of the economic conference is ill-judged and hurried. Indeed, it is all a part of the hasty and unfortunate notion, which affected the British delegation almost at the first, that the work at Washington could be forced along. As a matter of fact, when we understand what the delegates had to debate, decide, and then draft, the work has gone fast; though of course, in view of the variety and amount accomplished at Paris, the Versailles treaty itself ranks as a more rapid achievement.

This whole matter of terms and circumstances also deserves notice, for we sometimes have the notion that the character and test of a conference can be accurately measured in direct and visible fashion. Often some of the most useful and enduring results of an international gathering are not to be closely defined. Indeed, there are in any case different sorts of conferences; some deal with regional matters, others with special subjects. The Washington Conference has dealt with both, and it will be especially affected by the general atmosphere rather than the precise terms of the Genoa Conference. Many of the matters up for discussion there will not permit of exact and definitive results; some will be subject to reference or to future development. There may be, however, a larger and more valuable process of education and of intention started at the Economic Conference which will make for peace more strongly than the limited nature of the Washington Conference permitted. For now is the opportunity to reassert the economic unity of the world, to whose prosperity there is no single or royal road. The menace of war is the greatest obstacle to economic readjustment and restoration. To promote business is just now to help peace, and certainly that is a vital American interest; and if we do not go to Genoa we may lose a chance to help along these lines. Certainly it is high time we got rid of the notion that our own foreign and domestic affairs are in separate compartments. That is a view which is contrary to our vital experiences amid the fluctuations of the last few years.

So we come to the exact proposals of the Cannes protocol, on which the invitation to the Genoa Conference is based. This resolution of the Supreme Council on January 6 marked a notable advance to a new era, for with the exception of Turkey all the former Enemy States were to be invited to Genoa. Furthermore, under certain conditions Soviet Russia is included. These conditions resemble in some ways those laid down by the United States last March; and to our statement at that time the Soviet Government has never replied. We have noted the apparent contradictions in the views so recently expressed in the Russian press; and we must also remember the strong objection on moral as well as on political and economic grounds which many of us feel to the alleged plans for dangerous and outrageous exploitation of the interests of the Russian people as distinguished from the claims of their present autocratic political leaders. At all events the decision to recognize any Russian government whether *de facto* or *de jure* is not an affair for international action; we must settle such a matter in our own way and at our own time. Such reservations seem to be inherent in any wise procedure as to our acceptance of the invitation to Genoa.

It is, therefore, at the present writing, plain that the American decision as to Genoa is a difficult one to make. There seem, however, to be certain indirect factors which deserve attention. Thus if we consider the history of our foreign policy during the last three years we find extraordinary variations and convulsions. In January, 1919, the United States was in a position of power and of leadership never before equalled in our national history. We were also, perhaps for the first time, genuinely popular as a people; and we seemed the hope of world Liberalism. But that position we soon lost. A sense of great confusion overwhelmed us. We felt that we were misunderstood, and certainly the world at large was convinced that it could not understand American foreign policy. It was only natural that other nations should look upon us with hesitation and uncertainty. Some blamed us for matters totally beyond our power and knowledge; and we became a sort of international whipping-boy. Only those of us who were abroad during any part of those long months from the end of 1919 to the latter part of 1921 can have an adequate notion

of the unpleasant ideas which were current in Europe and in the Far East regarding the United States. There was of course in every country a small minority of intelligent and sympathetic people who saw what had happened and counselled patience and understanding; but the general impression was far different.

Indeed as we look back over the last six months and review public opinion abroad we find that it was not until last October, or even November, that there was any genuine interest or belief in the development of a sound or clear American foreign policy. Certainly till toward the end of last September there was comparatively little attention paid in Europe to the prospects of the Conference on Limitation of Armament. To-day Europe in general is still puzzled as to our attitude, for to the greater part of the continent the results achieved at Washington have no direct bearing. The Conference has, however, served to renew the hopes of many sincere friends of America that we are about to develop a constructive policy and to assume a reasonable share in the responsibilities of modern international civilization.

If the Genoa Conference is by any chance postponed, all of these factors will deserve renewed attention. If ultimately we should decline to participate, our reasons should be clear and adequate. This we owe to ourselves as well as to others. Even if we are not officially present at that Conference, its work may be of extraordinary interest and importance to America; its success along lines of justice and peace may mark a turning point in our prosperity and in the quickening of civilization by the breath of progress. But the process is bound to be slow, and impatience will be as unfortunate as indifference.

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